

HC FUELS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011



HC FUELS LIMITED

COMPANY INFORMATION

DIRECTORS

D J Carr (resigned 28 April 2011)
E A Gretton (appointed 1 March 2011)
B J Guyatt (appointed 1 March 2011 & resigned 1 June 2011)
S Pirinccioğlu (appointed 1 March 2011)
A E Adiguzel (resigned 8 March 2011)
R A S Clayton (resigned 15 April 2011)
J H W Gardner (resigned 11 March 2011)
D H J Gauthier (resigned 8 March 2011)
A M P Kern (resigned 9 March 2011)
V Leal (resigned 8 March 2011)
H Sijbring (resigned 9 March 2011)
G Syvertsen (resigned 11 March 2011)
J G Szarkandi (resigned 11 March 2011)
D J Clarke (appointed 1 June 2011)

COMPANY SECRETARY

R T V Tyson

COMPANY NUMBER

03568686

REGISTERED OFFICE

Hanson House
14 Castle Hill
Maidenhead
SL4 6JJ

AUDITOR

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

HC FUELS LIMITED

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HC FUELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their report and the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

With effect from 1 April 2011, the Company is a group finance company

Prior to 1 April 2011, the principal activities of the Company were the purchase and sale of coal, petcoke and EU Emissions Allowances on behalf of the HeidelbergCement group of companies

BUSINESS REVIEW

On 1 April 2011, the coal and petcoke contracts which had not lapsed were transferred to HeidelbergCement AG, Castle Cement Ltd and HeidelbergCement Ukraine

On 31 March 2011, the Company disposed of its emission trading division as a going concern to CBR International Services S A, a subsidiary undertaking of HeidelbergCement AG, for cash consideration of €2.5 million

The Directors are satisfied with the financial position of the Company at the end of the year

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,253,000 (2010 - £1,385,000)

The Directors do not recommend the payment of a dividend for the year (2010 - £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's results arise from transactions with fellow group undertakings in the group headed by HeidelbergCement AG. The Directors are therefore of the opinion that the Company is not directly exposed to significant risks and uncertainty, however, by the very nature of its activities, the Company is indirectly exposed to similar risks and uncertainties to those faced by other group companies. Details of the principal risks and uncertainties facing the group headed by HeidelbergCement AG are disclosed in the financial statements of that company.

FUTURE DEVELOPMENTS

The Directors anticipate that the Company will continue as a group finance company for the foreseeable future.

GOING CONCERN

The Company is a finance company and its assets comprise amounts receivable from group undertakings. The recoverability of these assets is dependent on the financial position of the HeidelbergCement AG group, of which the Company is an indirect subsidiary.

The Directors, having assessed the responses of the management of the Company's ultimate parent HeidelbergCement AG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the HeidelbergCement AG group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the management of HeidelbergCement AG, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

HC FUELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' INDEMNITY

A fellow group undertaking has indemnified, by means of directors and officers' liability insurance, one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

DIRECTORS

The Directors who served during the year were

D J Carr (resigned 28 April 2011)
E A Gretton (appointed 1 March 2011)
B J Guyatt (appointed 1 March 2011 & resigned 1 June 2011)
S Pirincicoglu (appointed 1 March 2011)
A E Adiguzel (resigned 8 March 2011)
R A S Clayton (resigned 15 April 2011)
J H W Gardner (resigned 11 March 2011)
D H J Gauthier (resigned 8 March 2011)
A M P Kern (resigned 9 March 2011)
V Leal (resigned 8 March 2011)
H Sijbring (resigned 9 March 2011)
G Syvertsen (resigned 11 March 2011)
J G Szarkandi (resigned 11 March 2011)
D J Clarke (appointed 1 June 2011)

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HC FUELS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information

AUDITOR

Ernst & Young LLP, having confirmed their willingness to act, will continue in office as auditors of the Company

This report was approved by the board on 26 September 2012 and signed on its behalf

A handwritten signature in black ink, appearing to read 'R T V Tyson', is written above the printed name.

R T V Tyson
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HC FUELS LIMITED

We have audited the financial statements of HC Fuels Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HC FUELS LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Jane Barwell (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP, *Statutory auditor*

The Paragon
Counterslip
Bristol
BS1 6BX

27 September 2012

HC FUELS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

| | Note | 2011 £000 | 2010 £000 |
|--|------|----------------|------------------|
| TURNOVER | 1,2 | | |
| Discontinued operations | | 1,134 | 215,676 |
| | | <u>1,134</u> | <u>215,676</u> |
| Cost of sales | 22 | (1,292) | (213,040) |
| | | <u>(1,292)</u> | <u>(213,040)</u> |
| GROSS (LOSS)/PROFIT | | (158) | 2,636 |
| Administrative expenses | 22 | (877) | (1,266) |
| | | <u>(877)</u> | <u>(1,266)</u> |
| OPERATING (LOSS)/PROFIT | 3 | | |
| Continuing operations | | - | - |
| Discontinued operations | | (1,035) | 1,370 |
| | | <u>(1,035)</u> | <u>1,370</u> |
| EXCEPTIONAL ITEMS | | | |
| Other exceptional items | 6 | 2,217 | - |
| | | <u>2,217</u> | <u>-</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST | | 1,182 | 1,370 |
| Interest receivable and similar income | 7 | 99 | 24 |
| Interest payable and similar charges | 8 | (21) | (6) |
| | | <u>99</u> | <u>(6)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,260 | 1,388 |
| Tax on profit on ordinary activities | 9 | (7) | (3) |
| | | <u>(7)</u> | <u>(3)</u> |
| PROFIT FOR THE FINANCIAL YEAR | 16 | <u>1,253</u> | <u>1,385</u> |

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 19 form part of these financial statements

HC FUELS LIMITED
REGISTERED NUMBER 03568686

BALANCE SHEET
AS AT 31 DECEMBER 2011

| | Note | £000 | 2011 £000 | £000 | 2010 £000 |
|--|------|--------------|--------------|----------------|--------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | - | | 113 |
| Tangible assets | 11 | | - | | - |
| | | | <u>-</u> | | <u>113</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 12 | 9,566 | | 130,169 | |
| Cash at bank | | - | | 4,599 | |
| | | <u>9,566</u> | | <u>134,768</u> | |
| CREDITORS amounts falling due within one year | 13 | (670) | | (127,238) | |
| NET CURRENT ASSETS | | | 8,896 | | 7,530 |
| NET ASSETS | | | <u>8,896</u> | | <u>7,643</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 15 | | 500 | | 500 |
| Profit and loss account | 16 | | 8,396 | | 7,143 |
| SHAREHOLDERS' FUNDS | 17 | | <u>8,896</u> | | <u>7,643</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2012



D J Clarke
Director

The notes on pages 8 to 19 form part of these financial statements

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Going concern

The accounts have been prepared on a going concern basis as the Company is in a position to meet its obligations as they fall due

1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.4 Turnover

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty

1.5 EU emissions allowances

All sales and purchases of EU Emissions Allowances (being defined as variable commodities by the EU and by the UK Revenue and Customs) which were delivered / received between 1 January 2011 and 31 December 2011 are accounted for in the current year as for all other goods and services

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1.8 Interest income

Income is recognised as interest accrues using the effective interest method

1.9 Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised as net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of debt in the period

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

1.10 Intangible fixed assets and amortisation

Intangible fixed assets comprise of EU Certified Carbon Emission Rights and have been capitalised at cost

1.11 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

| | |
|--------------------|-----------|
| Computer equipment | - 3 years |
|--------------------|-----------|

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

1.12 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation of fixed assets (and similar fair value adjustments), or gains on disposal of fixed assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made when, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled into replacement assets and charged to tax only when the replacement assets are sold

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

1.13 Pensions

The Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2008

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

2. TURNOVER

Turnover is attributed to the one discontinued activity, the purchase and sale of coal, petcoke and EU Emissions Allowances

An analysis of turnover by class of business is as follows

| | 2011 £000 | 2010 £000 |
|------------------------|--------------|----------------|
| Inter-group sales | 126 | 215,158 |
| Sales to third parties | 1,008 | 518 |
| | <u>1,134</u> | <u>215,676</u> |

All turnover arose within the United Kingdom

The Company's operations were sold and terminated during the current year See the Directors report for details

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting)

| | 2011 £000 | 2010 £000 |
|--------------------------------|--------------|--------------|
| Auditor's remuneration | 11 | 12 |
| Operating lease rentals | | |
| - plant and machinery | - | 3 |
| - other operating leases | 37 | 77 |
| Difference on foreign exchange | 334 | (88) |
| | <u>382</u> | <u>81</u> |

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

4. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

| | 2011 £000 | 2010 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 204 | 587 |
| Social security costs | 20 | 66 |
| Other pension costs | 23 | 103 |
| | <u>247</u> | <u>756</u> |

The average monthly number of employees, including the Directors, during the year was as follows

| | 2011 No. | 2010 No |
|-----------------------|-------------|------------|
| Office and management | 0 | 3 |
| Directors | 1 | 3 |
| | <u>1</u> | <u>6</u> |

5 DIRECTORS' REMUNERATION

| | 2011 £000 | 2010 £000 |
|------------|--------------|--------------|
| Emoluments | <u>204</u> | <u>544</u> |

During the year retirement benefits were accruing to 1 Director (2010 - 3) in respect of defined benefit pension schemes

The highest paid Director received remuneration of £51,000 (2010 - £275,000)

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £6,000 (2010 - £50,000)

The total accrued pension provision of the highest paid Director at 31 December 2011 amounted to £NIL (2010 - £48,000)

6. EXCEPTIONAL ITEMS

| | 2011 £000 | 2010 £000 |
|------------------------------|--------------|--------------|
| Disposal of trading division | <u>2,217</u> | <u>-</u> |

On 1 April 2011, the Company disposed of its emission trading division as a going concern to CBR International Services S A , a subsidiary undertaking of HeidelbergCement AG, for cash consideration of €2 5 million (£2 2 million)

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

7. INTEREST RECEIVABLE

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Interest receivable from group companies | 99 | 24 |

8 INTEREST PAYABLE

| | 2011 £000 | 2010 £000 |
|-------------------------------------|--------------|--------------|
| Interest payable to group companies | 21 | 6 |

9 TAXATION

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Analysis of tax charge in the year | | |
| Deferred tax (see note 14) | | |
| Origination and reversal of timing differences | 7 | 3 |
| Tax on profit on ordinary activities | 7 | 3 |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 1,260 | 1,388 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5%(28%) | 334 | 388 |
| Effects of | | |
| Capital allowances for year in excess of depreciation | (4) | - |
| Short term timing difference leading to an increase (decrease) in taxation | (3) | (1) |
| Group relief | (327) | (387) |
| Current tax charge for the year (see note above) | - | - |

Factors that may affect future tax charges

Announcements were made to changes in the tax rates that will have an impact on future tax charges of the Company. From 1 April 2012, the rate of corporation tax was reduced from 26% to 24%, and from 1 April 2013, the rate was reduced from 24% to 23%.

A further annual reduction of 1% from 1 April 2014 to reduce the rate to 22% have been announced but not substantively enacted.

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

10 INTANGIBLE FIXED ASSETS

| | Carbon emission rights £000 |
|-----------------------|--------------------------------------|
| Cost | |
| At 1 January 2011 | 113 |
| Disposals | (113) |
| | <hr/> |
| At 31 December 2011 | - |
| | <hr/> |
| Net book value | |
| At 31 December 2011 | - |
| | <hr/> |
| At 31 December 2010 | 113 |
| | <hr/> |

11 TANGIBLE FIXED ASSETS

| | Computer equipment £000 |
|-----------------------|-------------------------------|
| Cost | |
| At 1 January 2011 | 35 |
| Disposals | (35) |
| | <hr/> |
| At 31 December 2011 | - |
| | <hr/> |
| Depreciation | |
| At 1 January 2011 | 35 |
| On disposals | (35) |
| | <hr/> |
| At 31 December 2011 | - |
| | <hr/> |
| Net book value | |
| At 31 December 2011 | - |
| | <hr/> |
| At 31 December 2010 | - |
| | <hr/> |

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

12. DEBTORS

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|----------------|
| Due within one year | | |
| Trade debtors | - | 1,952 |
| Amounts owed by group undertakings | 9,564 | 128,072 |
| Other debtors | 2 | 138 |
| Deferred tax asset (see note 14) | - | 7 |
| | <u>9,566</u> | <u>130,169</u> |

Amounts owed by group undertakings includes an amount of £9,564,000 (2010 £83,053,000) which accrues interest based on LIBOR and is unsecured and repayable on demand. The remaining balance is unsecured, interest free and repayable on demand.

13. CREDITORS: Amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|----------------|
| Trade creditors | - | 2,567 |
| Amounts owed to group undertakings | 670 | 124,346 |
| Other creditors | - | 75 |
| Accruals and deferred income | - | 250 |
| | <u>670</u> | <u>127,238</u> |

Amounts owed to group undertakings includes an amount of £nil (2010 £113,000) which is charged interest at a rate of 2.00% above LIBOR. The remaining balance is unsecured, interest free and repayable on demand.

14. DEFERRED TAXATION

| | 2011 £000 | 2010 £000 |
|----------------------|--------------|--------------|
| At beginning of year | 7 | 10 |
| Charged for year | (7) | (3) |
| | <u>-</u> | <u>7</u> |
| At end of year | <u>-</u> | <u>7</u> |

The deferred taxation balance is made up as follows

| | 2011 £000 | 2010 £000 |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | - | 3 |
| Tax losses carried forward | - | 4 |
| | <u>-</u> | <u>7</u> |

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

15. SHARE CAPITAL

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Allotted, called up and fully paid 500,000 ordinary shares of £1 each | 500 | 500 |

16. RESERVES

| | Profit and loss account £000 |
|---------------------|------------------------------------|
| At 1 January 2011 | 7,143 |
| Profit for the year | 1,253 |
| At 31 December 2011 | 8,396 |

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2011 £000 | 2010 £000 |
|-----------------------------|--------------|--------------|
| Opening shareholders' funds | 7,643 | 6,258 |
| Profit for the year | 1,253 | 1,385 |
| Closing shareholders' funds | 8,896 | 7,643 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

18 PENSION COMMITMENTS

During the year, the Company participated in the Castle Pension Scheme with relevant employees eligible for benefits under the funded Scheme, which is, in the main, of the defined benefit type. Funds are held externally under the supervision of the corporate trustee. The company participates in the Scheme along with several other UK based companies forming part of the HeidelbergCement AG group. It is not possible to identify the company's share of the Scheme's assets and liabilities on a consistent and reasonable basis. Therefore, in accordance with FRS 17, the Scheme is treated as a defined contribution scheme with contributions expensed to the profit and loss account when they become payable.

The Castle Pension Scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary. The valuation of the Scheme has been based on the most recent actuarial valuation as at 31 March 2008, which was signed in February 2010, and was updated by the Scheme actuary, Mercer Human Resource Consultancy, to take account of the requirements of FRS17 in order to assess the liabilities as at 31 December 2010. The Scheme was closed to future accrual in September 2010. Scheme assets are stated at their market value at 31 December 2011 and 31 December 2010. Scheme liabilities are stated at their market value at their respective balance sheet dates.

The assets and liabilities of the scheme at 31 December are

| | 2011 £000 | 2010 £000 |
|-------------------------------------|----------------------|----------------------|
| Scheme assets at fair value | | |
| Equities | 73,340 | 76,272 |
| Bonds | 124,875 | 105,328 |
| | <hr/> | <hr/> |
| Fair value of scheme assets | 198,215 | 181,600 |
| Present value of scheme liabilities | (227,365) | (212,525) |
| | <hr/> | <hr/> |
| Defined benefit scheme liability | (29,150) | (30,925) |
| Related deferred tax asset | 7,579 | 8,350 |
| | <hr/> | <hr/> |
| Total | <u>(21,571)</u> | <u>(22,575)</u> |

The Scheme has not invested any of the Company's own financial instruments, nor in properties or other assets used by it.

To develop the existing long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the Scheme's asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

18. PENSION COMMITMENTS (continued)

The main actuarial assumptions used in the valuation are set out below

| | 2011 % | 2010 % | 2009 % |
|---|-----------|-----------|-----------|
| Rate of salary increases | 4.1 | 3.3 | 4.4 |
| Rate of increase in pension payments | 3.1 | 3.3 | 3.4 |
| Discount rate | 4.7 | 5.3 | 5.6 |
| Rate of price inflation | 3.1 | 3.3 | 3.4 |
| Expected return on scheme assets | | | |
| Equities | 6.8 | 8.1 | 8.1 |
| Property | 5.7 | 6.6 | 6.6 |
| Bonds | 3.3 | 4.4 | 4.5 |
| Other | 2.8 | 0.5 | 0.5 |
| Life expectancy for a male member from age 65 on post-retirement mortality table used to determine benefit obligation | Years | Years | Years |
| Current active and deferred members | 21.4 | 21.3 | 21.3 |
| Current pensioner members | 20.4 | 20.4 | 20.3 |

Sensitivity analysis of scheme liabilities

| | Change in assumption | Impact on scheme liabilities |
|-------------------------|----------------------------|------------------------------|
| Rate of salary increase | Increase / decrease 1% | Increase 0% / decrease 0% |
| Discount rate | Increase / decrease 1% | Decrease 23% / increase 24% |
| Inflation assumption | Increase / decrease 1% | Increase 22% / decrease 22% |
| Mortality | Increase / decrease 1 year | Increase 3% / decrease 3% |

| Changes to the present value of the defined benefit obligations during the year | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Opening defined benefit obligation | 214,678 | 207,679 |
| Current service cost | - | 3,128 |
| Interest cost | 11,149 | 11,506 |
| Contributions by scheme participants | - | 970 |
| Actuarial gain | 22,393 | 5,162 |
| Benefits paid | (8,655) | (8,520) |
| Curtailments | (12,200) | (7,400) |
| Closing defined benefit obligation | 227,365 | 212,525 |

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

18. PENSION COMMITMENTS (continued)

| Changes to the fair value of scheme assets during the year | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Opening fair value of scheme assets | 181,600 | 157,800 |
| Expected return on scheme assets | 9,934 | 9,322 |
| Actuarial losses | 9,327 | 3,864 |
| Contributions by the employer | 6,009 | 18,164 |
| Contributions by scheme participants | - | 970 |
| Benefits paid | (8,655) | (8,520) |
| Total | 198,215 | 181,600 |

Amounts for current and previous four years

| | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 |
|--|--------------|--------------|--------------|--------------|--------------|
| Fair value of scheme assets | 198,215 | 181,600 | 157,800 | 142,800 | 166,100 |
| Present value of defined benefit obligation | (227,365) | (212,525) | (207,679) | (179,600) | (178,900) |
| Sub total | (29,150) | (30,925) | (49,879) | (36,800) | (12,800) |
| Experience adjustments arising on plan liabilities | - | (559) | (800) | (3,129) | - |
| % of liabilities | 0% | 0% | 0% | (2%) | 0% |
| Experience adjustments arising on plan assets | 9,327 | 3,864 | 11,472 | (34,587) | (6,409) |
| % of assets | 5% | 2% | 7% | (24%) | (4%) |

The total contributions to the scheme in 2012 are expected to be £6,133,000

19. OPERATING LEASE COMMITMENTS

At 31 December 2011 the Company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings | |
|---------------|--------------------|--------------|
| | 2011 £000 | 2010 £000 |
| Expiry date. | | |
| Within 1 year | - | 40 |

HC FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS8 Related Party Transactions, not to disclose transactions with wholly owned subsidiaries in the group headed by HeidelbergCement AG

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Scancem Supply Limited, a company registered in England and Wales. The Company's ultimate parent undertaking is HeidelbergCement AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by HeidelbergCement AG. Copies of the consolidated financial statements of HeidelbergCement AG may be obtained from Berliner Strasse 6, D-69120 Heidelberg, Germany.

22. ANALYSIS OF OPERATING PROFIT

| | 2011 | | 2010 | |
|-------------------------|--------------------|----------------------|--------------------|----------------------|
| | Continuing £000 | Discontinued £000 | Continuing £000 | Discontinued £000 |
| Turnover | - | 1,134 | - | 215,676 |
| Cost of sales | - | (1,292) | - | (213,040) |
| Gross profit | - | (158) | - | 2,636 |
| Administrative expenses | - | (877) | - | (1,266) |
| Operating profit | - | (1,035) | - | 1,370 |